

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07
L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15
USIA-06 TRSE-00 (ISO) W
-----050053Z 005749 /75

P R 041950Z MAY 77
FM AMEMBASSY ROME
TO SECSTATE WASHDC PRIORITY 4379
INFO AMCONSUL NAPLES
AMCONSUL FLORENCE
AMCONSUL MILAN

C O N F I D E N T I A L SECTION 1 OF 2 ROME 7280/1

E.O. 11652: GDS
TAGS: PFOR, IT, PINT
SUBJ: CONVERSATION WITH REPUBLICAN PRESIDENT UGO LA MALFA

1. I HAD A LONG CONVERSATION WITH UGO LA MALFA ON MAY 3RD. DESPITE HIS AGE (74), HE OBVIOUSLY IS STILL RUNNING THE REPUBLICAN PARTY ON A DAY-TO-DAY BASIS AND HE STILL APPEARS AS INTELLIGENT AND MENTALLY ALERT AS EVER. IN THE BEGINNING OF THE CONVERSATION I ASKED LA MALFA FOR HIS VIEWS ON THE CURRENT SITUATION AND ON WHAT COULD BE DONE ABOUT IT. I WAS TREATED TO A MONOLOGUE OF OVER AN HOUR IN WHICH HE EXPRESSED THE MOST PESSIMISTIC VIEWS THAT I HAVE HEARD SINCE I HAVE BEEN IN ITALY.

2. LA MALFA BEGAN BY RECALLING HIS GREAT HOPES FOR THE CENTER LEFT, WHICH HE CHARACTERIZED AS A MISERABLE FAILURE, PRIMARILY BECAUSE OF THE IRRESPONSIBILITY AND DIVISIVENESS OF THE SOCIALISTS. (HE RETURNED TO THE SOCIALISTS AT MANY POINTS DURING OUR CONVERSATION. IT IS VERY CLEAR THAT IN HIS VIEW THEY ARE HOPELESSLY LOST; THEY CANNOT BE BROKEN AWAY FROM THE COMMUNIST PARTY AND WILL CONTINUE TO PURSUE THEIR OWN UNREALISTIC DREAM OF AN ALTERNATIVE OF THE LEFT.) THINGS HAVE GONE DOWNHILL RAPIDLY,
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SAID LA MALFA, SINCE 1969. THE GOVERNMENTS IN POWER HAVE CONSISTENTLY DONE THE OPPOSITE OF WHAT THE SITUATION REQUIRED. THEY ALLOWED THE LEFT AND THE UNIONS TO PUSH THEM TOWARD SWEDISH STYLE SOCIAL BENEFITS WHILE A SOUTH AMERICAN PATTERN OF VIOLENCE, TERRORISM, AND DEGENERATION OF PUBLIC INSTITUTIONS DEVELOPED SIMULTANEOUSLY.

3. LA MALFA IS VERY CLEAR THAT NO SOLUTION TO THE PRESENT CRISES IS POSSIBLE WITHOUT PCI SUPPORT, COOPERATION, AND PARTICIPATION. THE COUNTRY CANNOT AFFORD A CONFRONTATION WITH THE PCI. REFERRING TO THE RED BRIGADES ABILITY TO SUSPEND THE JUDICIAL PROCESS IN TURIN YESTERDAY THROUGH PUBLIC FEAR, HE ASKED ME TO IMAGINE WHAT COULD HAPPEN IF THE PCI CHOSE TO ACTIVELY FIGHT THE SYSTEM. IT IS THEREFORE ESSENTIAL IN HIS VIEW THAT SOME SORT OF AGREEMENT WITH THE PCI BE WORKED OUT.

4. HE REPEATEDLY URGED THAT WE NOT BE AFRAID OF EUROCOMMUNISM. IT WAS INVENTED BY THE LEADERS OF THE PCI, WHO ARE PEOPLE THAT HE KNOWS WELL. MANY OF THEM, INCLUDING BERLINGUER, ARE IN HIS VIEW SINCERE DEMOCRATS. THEIR STRONGEST FEAR IS THE USSR. BERLINGUER AND HIS COLLEAGUES HAVE CLEARLY CHOSEN THE WEST AND SHOULD BE ENCOURAGED IN THAT DIRECTION, NOT ONLY BECAUSE IT IS ESSENTIAL FOR THE FUTURE OF ITALY BUT ALSO BECAUSE EUROCOMMUNISM CAN BE A SERIOUS THORN IN THE SIDE OF THE USSR.

5. LA MALFA ADMITS THAT THERE IS A RISK IN HAVING THE PCI PARTICIPATE IN THE GOVERNING OF ITALY, BUT HE POINTS OUT THAT THERE ARE NO SOLUTIONS FOR ITALY THAT ARE NOT FULL OF RISKS. AN EFFORT MUST THEREFORE BE MADE TO PUT THE PCI TO THE TEST AND TO FORCE IT TO MAKE A CLEAR AND PUBLIC CHOICE. THE DC IS ABOUT TO BEGIN NEGOTIATIONS WITH THE PCI AND THE OTHER PARTIES ON A PROGRAM FOR THE GOVERNMENT. THE MOST SERIOUS PROBLEM, ACCORDING TO LA MALFA, IS NOT WHETHER THE DC SHOULD NEGOTIATE WITH THE PCI BUT WHETHER THE DC KNOWS HOW TO DO IT WELL. IN LA MALFA'S VIEW, THE DC SHOULD OFFER THE PCI A RECOGNIZED ROLE IN THE GOVERNMENTAL PROCESS, I.E., VOTING AS PART

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OF THE MAJORITY IN RETURN FOR FIRM COMMITMENTS ON A NUMBER OF BASIC ISSUES. THE ISSUES HE LISTED ARE AS FOLLOWS:

A. THERE SHOULD BE NO CHANGE IN ITALY'S INTERNATIONAL POLICIES AND ALLIANCES. THIS SHOULD BE SPELLED OUT CLEARLY AND IN DETAIL TO INCLUDE, FOR EXAMPLE, A VARIETY OF NATO ISSUES, POST-TITO YUGOSLAVIA, ISRAEL, ETC. IF THE PCI SHOULD HESITATE ON ANY OF THESE POINTS, THE NEGOTIATIONS SHOULD BE BROKEN OFF IMMEDIATELY AND WITH PUBLIC EXPLANATION OF THE REASONS THEREFOR.

B. A SOUND ECONOMIC POLICY THAT WOULD FOLLOW INTER ALIA THE IMF LETTER OF INTENT. THIS WOULD MEAN CONTROL OF THE COST OF LABOR, A SERIOUS EFFORT TO REDUCE INFLATION, AND A JOB-CREATING INVESTMENT POLICY. SUCH POLICIES WOULD BRING CONFLICT WITH THE UNIONS, WHICH WOULD PROVIDE ANOTHER TEST FOR THE PCI.

C. A REDUCTION IN PUBLIC OWNERSHIP OF THE MEANS OF PRODUCTION RATHER THAN FURTHER EXPANSION OF ITALY'S PARASTATAL COMPANIES; LA MALFA BELIEVES THAT THE LATTER SHOULD BE REDUCED AND SOLD OFF TO THE PRIVATE SECTOR.

D. A REORGANIZATION OF PUBLIC FINANCE, INCLUDING THAT OF LOCAL GOVERNMENTS.

E. SERIOUS AND MEANINGFUL REFORMS OF THE UNIVERSITY
AND HEALTH SYSTEMS.

F. THOROUGH REFORM OF POLICE AND PRISON SYSTEMS.

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C O N F I D E N T I A L SECTION 2 OF 2 ROME 7280/2

6. IF THE DC WERE WILLING TO PUT FORWARD A SERIOUS AND DETAILED PROGRAM ALONG THE FOREGOING LINES IT WOULD PUT THE PCI TO THE TEST. IF THE PCI REFUSED TO COOPERATE, IT WOULD PROVIDE CONCRETE ISSUES ON WHICH A PUBLIC FIGHT COULD BE MADE IN CONTRAST TO THE PRESENT SITUATION WHERE, WITH THE WELL-KNOWN ITALIAN POLITICAL TENDENCY TO FUZZ EVERY ISSUE, THERE ARE NO CLEARCUT ISSUES ON WHICH TO MAKE A PUBLIC FIGHT AGAINST THE PCI.

7. IF THE DC PURSUES "A SERIOUS PROGRAM" LIKE THE ONE OUTLINED ABOVE, THE PRI WILL SUPPORT IT VIGOROUSLY; IF IT DOES NOT, THE PRI WILL GO INTO THE OPPOSITION. ACCORDING TO LA MALFA THERE IS NOTHING THE U.S. OR OTHER COUNTRIES CAN OR SHOULD DO AT THE MOMENT TO HELP ITALY. THE IMF LOAN WAS NOT A MISTAKE BUT ANY FURTHER LOANS WOULD BE UNLESS AND UNTIL A NEW GOVERNMENT PROGRAM THAT SERIOUSLY ADDRESSES THE ECONOMIC PROBLEMS IS DEVELOPED. IN PASSING, HE NOTED THE EFFORTS OF SOME TO GET OUT FROM UNDER THE REQUIREMENTS OF THE IMF LETTER OF INTENT ALMOST BEFORE THE INK IS DRY.

8. AS I SAID ABOVE, LA MALFA IS PESSIMISTIC. TOWARD THE END OF OUR CONVERSATION HE SAID THAT HE DOES NOT BELIEVE THAT A DEMOCRATIC SOLUTION WILL BE FOUND. THE INCREASING TERRORISM AND
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VIOLENCE AND THEIR THREAT TO PUBLIC INSTITUTIONS ALREADY INDICATES, HE SAID, THAT ITALY IS ON THE VERGE OF A CIVIL WAR. THIS PROCESS WILL BE ENHANCED IF THE PCI, INSTEAD OF BEING DRAWN FURTHER INTO COOPERATION WITH THE DC IS REJECTED. SUCH A REJECTION WOULD ENCOURAGE THE STALINIST ELEMENTS IN THE PARTY AND THE STAGE WOULD BE SET FOR A VIOLENT COUP OR A CIVIL WAR.

9. AT THE END OF THE CONVERSATION LA MALFA URGED THAT THE EMBASSY HAVE BROADER CONTACTS WITH THE COMMUNIST PARTY BECAUSE IT IS IN HIS VIEW THE KEY TO WHETHER ITALY CAN EVOLVE DEMOCRATICALLY OR MUST LOOK TO VIOLENT NON-DEMOCRATIC SOLUTIONS. HE REPEATED AGAIN THAT THERE ARE MANY IN THE COMMUNIST PARTY SINCERELY COMMITTED TO WESTERN VALUES AND TO DEMOCRACY AND THEY MUST BE ENCOURAGED DESPITE THE RISKS INVOLVED FOR THERE IS IN HIS VIEW NO OTHER DEMOCRATIC WAY OUT.
GARDNER

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